



B&I Program Insights # 3: THE PRIORITY SCORING SYSTEM

Business & Industry (B&I) Guaranteed Loan Program

How does the B&I priority scoring system work?

Every B&I loan application is given a priority “score” by USDA which quantifies the rural benefits that USDA attributes to the project. (USDA wants to direct its B&I guaranteed loans to projects that will deliver the most benefit to the neediest areas.)

Whenever B&I guaranteed funding authority is limited, loan applications compete for funding from nationwide pools. These competitions usually occur once a month.

B&I guaranteed funds are awarded to applications based on their priority score, rather than on a “first-come, first-serve” basis. A low-scoring B&I project will always be passed over for a higher-scoring one, regardless of how long the low-scoring application has been awaiting funds.

How is a B&I application’s priority score determined?

RD Instruction 4279-B, §4279.155 delineates the criteria for priority scoring:

B&I Priority Scoring Criteria	Points
Community Where Project Is Located:	
Population of ≤ 25,000.....	10
With job deterioration & out-migration.....	5
That has remained persistently poor.....	5
That has experienced economic or natural disaster.....	5
With an unemployment rate ≥ 125% of the State average.....	5
Federally-designated “Empowerment Zone/Enterprise Community”.	10
Federally-designated “Champion Community”.....	5
B&I Deal Structure:	
Interest rate ≤ Prime + 0.5 (or equivalent).....	5
Interest rate ≤ Prime + 1.0 (or equivalent).....	5
B&I loan represents < 50% of the total project cost.....	5
B&I guarantee requested is 10% below normal level -- e.g., 70%....	5
Type of Business Assisted:	
≥ 20% of sales are from exports.....	5
New industry to the area.....	5

This “B&I Program Insight” is one in a series of fact sheets developed by the California State Office of USDA Rural Development to give lenders and other interested parties a better understanding of B&I guaranteed lending.

For more information, contact USDA Rural Development at 430 G St., Dept. 4169, Davis, CA 95616-4169 or (530) 792-5800.

The USDA is an equal opportunity provider and employer.

Products are high-value goods or services.....	2
Provides an additional market for existing local businesses.....	3
Locally owned.....	3
Value-added, natural resource-based business.....	2
Average Wage Paid:	
≥ 125% of Federal minimum wage (i.e., ≥ \$6.44/hr).....	5
≥ 150% of Federal minimum wage (i.e., ≥ \$7.73/hr).....	5
State Director Administrative Points:	
Discretionary based on USDA mission & strategic goals.....	10
Maximum Total Points =	100

How are priority points assigned?

USDA determines the priority score. Nearly all of the factors are objective; only the State Director Administrative Points are discretionary.

Many factors are inherent in the project and can't be changed -- e.g., project location, business type.

Some factors are in the lender's control -- e.g., interest rate, % guarantee requested.

How can I know my project's priority score?

USDA does a draft priority score as soon as a preapplication (with sufficient information) is received. USDA will share this information with you and discuss funding prospects.

How many points does a project need to secure funding?

If funds are not limited, there is no minimum required score. (Priority scores only become critical when funding is limited and only available on a competitive basis.)

When funds are limited, higher scoring projects will always secure funding before lower ones. So, the higher the score, the better.

Based on recent activity, any B&I project scoring less than 40 points may have difficulty competing for funds from a National pool. If a project scores less than 40 points, the applicant could experience delays in obtaining funding and, consequently, final approval.

How can a project improve its chances of funding?

Target B&I lending to projects that score well.

For example, a lender might choose to focus on projects that have the following features:

1. Projects located in high unemployment areas -- 5-10 points
2. Loans priced at Prime + 1 (of the equivalent) or less -- 10 points
3. Businesses that pay an average wage of \$7.73/hour or more -- 10 points

A project that meets these criteria will likely also get 10 Administrative Points -- totaling 40 points.

Each lender will want to adopt a business development strategy that fits its needs and the B&I scoring system.

How can I find out where targeted communities are located?

USDA can provide you with a list of areas that will qualify for community priority points -- e.g., Enterprise Communities, Champion Communities, high unemployment communities, etc.

